

PRIME MINISTER

DRAFT SPEECH FOR THE SOCIETY OF MOTOR MANUFACTURERS
DINNER ON 16 OCTOBER

I attach a draft speech for the Motor dinner (just over 3,000 words). This is basically a Department of Industry draft; but I have added a middle section on Government economic policy and wages, and also paragraphs on over-manning and demarcation, apprenticeship and training restrictions, employee participation and British Leyland (the latter follows the advice in Keith Joseph's latest minute on the subject which is in Folder 1).

X
The Department think that the current trends in the motor industry on industrial relations and on pay (moderate settlements at Talbot, Vauxhall and Lucas so far) are sufficiently encouraging to be major themes of the speech. There has been a dispute at Ford's ^{g e} Holmwood plant this week which has held up production of the new Escort; but this has now been resolved. If there are any major upsets in the industry between now and the speech, it may need to be toned down a bit. The draft includes the announcement of the decision to introduce "type approval" for commercial vehicles as a covert form of import protection. This is likely to be widely welcomed. There is also a section on motoring taxes, which has been included as a way of pre-empting growing pressure within the industry for a reduction in - and even removal of - car tax. The Treasury are keen to have this in.

The draft is intended to be very much "industrial" as opposed to "economic strategy". The SMMT will want your views on the industry; but another reason for not widening it too much - to cover, for example, the monetary strategy - is that the Chancellor will be making his Mansion House speech on the same night. (A pity we did not spot this earlier, though I doubt we could have shifted the date of the dinner.)

/I have tried

I have tried to make it fairly hard-hitting - both as regards the industry's performance and in particular the role of the trade unions in holding back productivity and training opportunities. The latter are points after your meeting with Ray Pennock, and I have drawn on some of the material provided by the Department of Employment at Flag A.

The structure of the speech is basically as follows:

- analysis of the motor industry's problems;
- the industry's prospects, if they continue their recent progress;
- Government economic policy in general and the problem of interest rates and excessive wages;
- import controls and type approval;
- vehicle taxation;
- ~~British Leyland~~;
- conclusion.

Of course, you will want to go over the draft in detail nearer the time. But it will be helpful if I could have your general reaction now so that we can do any major redrafting if you think it necessary. I will be with you at Amersham, and perhaps we might discuss it in the car on the way back to London.

*John Weston
Tony Clark
pp. TL.*

MR LANKESTER

cc Mr. Ingham (OR)
Mr. Duguid

Prime Minister's Speech at the SMMT Dinner on 16 October


Thank you for sending me, under cover of your minute of today's date, a copy of the draft speech for the Motor Show. My one previous experience of helping with the drafting of a Prime Ministerial speech leads me to suggest that it might be more helpful if my comments focus on themes, rather than take the shape of proposed drafting, so that we can concentrate on getting the draft right after the Prime Minister has agreed on the themes she wishes to put across. In this spirit, may I offer two suggestions:

- (1) We know that the Prime Minister sees the clear explanation of cause and effect as a major factor in changing attitudes. Much of the first half of this speech is directed towards changing attitudes, which I welcome. As you know, I hope to circulate shortly a piece of paper on this subject. But I am not sure that the drafting at present consistently displays the effects of past inefficiencies, and the way in which the changes that have taken place have had beneficial effects. Thus the first five pages are a rather frank exposé of the car industry's past ways, which could I think be followed by some factual information on productivity (on output per man-hour paid) and competitiveness (UK share of domestic and export markets); and then on page 6 the draft suddenly detects signs of change, without an indication of these changes resulting from the consequences of past actions, and without an indication of the benefits that these changes will bring. I would like to see more of a "stick and carrot" approach, with the carrot beginning on page 6 and indicating the future that might lie ahead of the motor industry - and by implication other industries - if productivity and competitiveness were restored.

/(2) I

- (2) I am not entirely happy with the way in which the pay issues are presented on page 12. I think the consequences of trade union muscle in public sector monopolies, in terms of 'knock on' effects both for other nationalised industries and in the private sector, might be explained in more depth and with examples (Bowaters), and I think the cause and effect in terms of excessive wage claims and increased unemployment in the private sector might also be explained more fully in the second paragraph on page 12.

If these ideas are broadly acceptable to the Prime Minister, I would of course be happy to attempt suitable new passages. The rest of the speech seems to me, if I may say so, just right.



J.M.M. Vereker

26 September 1980



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10 DOWNING STREET

From the Private Secretary

2 October 1980

The Prime Minister has broadly approved the enclosed draft speech for the SMMT dinner. She will want to work on it further after the Party Conference, but I thought I should send you this draft now in case you and copy recipients have any comments. I have side-lined the main changes/additions to the draft which you sent over. You will notice that the section on taxation has been taken out: the Prime Minister decided that this was too detailed, and she would prefer to leave this issue to others to deal with.

On page 5, you will see a reference to management. Just as I have included some examples of union-induced problems, it would be good if you could provide a paragraph with an example of management-inflicted problems.

BY 12.00

May I please have any comments by Friday 10 October.

I am sending copies of this letter and enclosure to Peter Jenkins (HM Treasury), Richard Dykes (Department of Employment) and Anthony Meyer (Department of Transport).

T. P. LANKESTER

Ian Ellison, Esq.,
Department of Industry.

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LANKESTER

R. de
cc Mr. Ingham

Thank you for sending me the revised draft of the SMMT speech, under cover of your minute of yesterday. I would like to suggest the replacement of the first three paragraphs on page 12 by the passage attached. This would be in accordance with the message that we are asking Ministers to put across generally, although the phraseology is original.

W.

3 October 1980



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

10 October 1980

C A Whitmore Esq
Private Secretary
Prime Minister's Office
No.10 Downing Street
LONDON SW1

Dear Clive,

PRIME MINISTER'S FOR THE SMMT DINNER

In your letter of 2 October to Ian Ellison, DOI, you asked for comments on the draft that the Prime Minister had broadly approved. The following are our suggestions.

Firstly, while the Prime Minister had dropped a passage on motor taxation from the original draft prepared by officials, we would attach importance to the inclusion of a brief reference in the speech. As we understand it the President of the SMMT is likely to raise the question in his speech, and the SMMT are known to be contemplating a campaign over the levels of, and possible changes in, motoring taxes. A brief reference should in our view be included on these grounds along the following lines:-

STET A
on these matters
// ~~Use Mr President, you also mentioned the~~
["~~I come back to your industry.~~"] This is not the place to answer all the points raised in your speech Mr President. But perhaps I might say one word about motoring taxation. I fully appreciate the strength of feeling ~~on it~~ within your industry, but I cannot hold out hope of any reduction at present. We simply cannot ignore the key role of the motoring taxes in the battle to conserve energy and to lower Government borrowing ~~and to~~.

reference to energy with emphasis of tax/levies and energy

It would be a courtesy in view of Sir Bernard Scott's intended reference, would help discourage the SMMT and make the handling of any campaign they may mount simpler. (It could be inserted before the section on import controls beginning on page 12.)

Other points that Sir Bernard Scott may raise and responses which could be included in the Prime Minister's speech are:-

/a) "use North Sea Gold



- a) "use North Sea Gold to rejuvenate and reconstruct sections of industry"

response

(B) "Over the medium term we shall be getting increased benefit from the North Sea. The revenues will help to keep Government borrowing down and so encourage more resources to flow into investment. I have a healthy prejudice for letting the market take these investment decisions in this way rather than setting up some new quango to direct North Sea money to the uses it thinks best!" (this could follow the first complete paragraph on page 10 of the present draft).

- b) "why should industry pay more for its energy than its European competitors who have to import oil"

response

(C) "we live in a world of rising energy costs and cannot insulate ourselves from this fact. Our reserve fossile fuels are a valuable but finite resource. We must put our energy supplies to the best possible use and not burn them up wastefully. Countries and industries that have become dependent on under-priced energy supplies will find it much more difficult and costly to make the inevitable adjustment to scarcer energy and high prices worldwide." (This might perhaps be inserted at the end of page 14 before the conclusion.)

- c) "Bank of England's review confirms that high interest rates impede hope for fall in the money supply figures"

No response suggested

This point is too complicated to inject into the Prime Minister's speech but she may wish to draw on the attached passage in talking to Sir Bernard Scott and others later.

4. As for amendments to the present draft we would suggest:-

- ✓ have on draft
- a) the last 4 lines of page 6 are open to misinterpretation and could be amended to read ... "higher pay without higher output postpones reduction in inflation".
- b) the statement in the middle of page 10 "you have [had] major reductions in income tax and capital taxes" is a bit strong and it might be better to say "you have had major reductions in income tax and some important changes in capital taxes which have been of particular help to smaller companies".
- ✓

/c) add at the end of



~~A~~
c) ✓

add at the end of the first paragraph on page 13 "And import controls would have a very disruptive effect on those vehicle and component companies whose UK plants are part of integrated European operations. This and the higher risk of retaliation would discourage multinational companies from investing here."

5. I am copying this letter and its enclosure to Ian Ellison (DOI) Richard Dykes (Department of Employment) and Anthony Meyer (Department of Transport).

Yours ever
Peter.

P S JENKINS